

VZCZCXRO1755
PP RUEHIK RUEHPOD RUEHPW RUEHYG
DE RUEHBUL #0253/01 0341341
ZNR UUUUU ZZH
P 031341Z FEB 09
FM AMEMBASSY KABUL
TO RUEHC/SECSTATE WASHDC PRIORITY 7123
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC 0723
RUCNAFG/AFGHANISTAN COLLECTIVE
RUEHZG/NATO EU COLLECTIVE
RUEABND/DEA HQS WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 KABUL 000253

DEPT FOR SCA/FO, SCA/RA, AND SCA/A
DEPT PASS AID/ANE
DEPT PASS USTR FOR DELANEY AND DEANGELIS
DEPT PASS OPIC FOR ALDONAS
DEPT PASS TDA FOR STEIN AND GREENIP
USOECD FOR ENERGY ATTACHE
CENTCOM FOR CSTC-A
NSC FOR JWOOD
TREASURY FOR MHIRSON, ABAUKOL, BDAHL, AND MNUGENT
OSD FOR SHIVERS
COMMERCE FOR HAMROCK, DEES, CHOPPIN, AND FONOVICH

SENSITIVE

SIPDIS

E.O. 12958 N/A

TAGS: [EAID](#) [ETRD](#) [EINV](#) [ECON](#) [ENRG](#) [EFIN](#) [AF](#)

SUBJECT: DONORS CONSIDER AFGHAN COMMERCE MINISTER'S AID REQUEST

REF: KABUL 64

¶1. (SBU) Summary. Afghan Commerce Minister Shahrani January 27 briefed donor reps on his policy vision and requests for assistance.

Shahrani said his highest priorities are trade facilitation, corporatizing the state-owned fuel importer FLGE, building capacity in his ministry, including a new Policy Analysis Unit, and establishing an independent Industrial Parks Authority. Donors broadly welcomed Shahrani's reform agenda. They subsequently discussed a joint response regarding their plans to support it and held an initial follow-up meeting with the minister, including on ways to coordinate support. Initial indications suggest greater donor interest in supporting his trade-related agenda and less for his administrative reform plans. In a very positive development, Shahrani also announced the firing of Engineer Rozi, the reputedly very corrupt director of FLGE. End Summary

¶2. (U) Minister of Commerce and Industries Wahidullah Shahrani January 27 presented Kabul-based donor representatives his policy vision and requests to donors for assistance to help him achieve it.

The USG was represented by USAID Mission Director, EconCouns and Assistant Finatt. Shahrani's vision comprises three broad themes: trade policy, private sector development (PSD), and administrative reform and capacity building at MOCI. (Note: Post has forwarded Shahrani's Power Point presentation to Washington agencies so this cable will not describe it in detail.) The minister reiterated that the private sector must be the primary engine of Afghanistan's economic growth and that he seeks to limit MOCI's role to policy and regulatory matters.

FLGE PRESIDENT DISMISSED

¶3. (SBU) Shahrani cited as evidence of his commitment to implement reform, fight corruption, and take political risks the firing January 25 of Engineer Rozi, the reputedly very corrupt director of the Fuel and Liquid Gas Enterprise (FLGE), the state-owned fuel importer under MOCI. Shahrani said President Karzai approved the dismissal. The new head of FLGE is Engineer Noor Mohammad Wafa, most recently advisor at the Afghan National Standards Authority and FLGE director in 1990-91.

¶4. (SBU) Shahrani said the level of corruption at FLGE was "beyond imagination" and that several other officials have also been fired

and placed on the Interior Ministry's exit-control list to enable further investigation. He said an external audit of FLGE will be completed that would produce a report likely to be "explosive." Shahrani aims to restructure and corporatize FLGE within six months. (Comment: Most privatization experts believe that this timeframe is very ambitious). MOCI involvement in FLGE had contributed to worsening operations at FLGE; in the future MOCI would not be involved in FLGE operations.

15. (SBU) Donors welcomed efforts to clean up FLGE. The U.S. and several others cited the importance of full implementation of the MOU between the Finance and Commerce ministries on Customs access to FLGE operations, an agreed "prior action" for IMF Board consideration of the fifth review of the PRGF program. Shahrani said he was committed to the IMF program and that Customs officials would have the access they require at border posts. He also stated that the MOCI would be very aggressive in implementing an audit of the FLGE. However, he alluded vaguely to misunderstandings about fuel-import operations, and Post has separately learned that he may want to renegotiate the MOU. GIROA discussions with the IMF on this issue concluded February 2 and will be reported septel.

AN AMBITIOUS REFORM PROGRAM

16. (SBU) Shahrani admitted that his reform program is ambitious. In response to a donor's question, he said his highest priorities are trade facilitation, corporatizing FLGE, building capacity in MOCI, and establishing an independent Industrial Parks Authority. He also said creating a Policy Analysis Unit in MOCI is an urgent priority. Regarding the deadlines for various commitments given in the presentation, he clarified that the clock will start ticking when donors mobilize the related technical assistance for each measure.

KABUL 00000253 002 OF 002

Shahrani said he hopes for a collective response from donors to his appeal for assistance.

17. (SBU) On trade policy, Shahrani said the GIROA has failed to brief Parliament on the benefits of WTO membership and other ministries on Afghan obligations under SAFTA. Now MOCI will take the lead. He stated that the delayed Memorandum of Foreign Trade Regime will be submitted to the WTO in February. He also noted that he would travel soon to Islamabad and would raise the need to start bilateral negotiations on a new Pak-Afghan Transit Trade agreement. On the need for administrative reform, he described MOCI's current capacity as "very disappointing." He aims to attach 1-2 young Afghan counterparts, probably recent graduates trained at Indian universities, to each foreign consultant to build ministry capacity. This new cadre will grow into the professional core of MOCI.

DONORS BEGIN DISCUSSING A RESPONSE

18. (SBU) At the January 27 meeting, donors welcomed Shahrani's appointment and expressed broad support for his reform agenda. In a follow-up meeting chaired by the World Bank January 29, donor reps began discussing specific elements of the proposal and types of support each might be able to extend. USAID reps expressed interest in a U.S. lead role on trade issues and said ongoing and forthcoming programs would address both the trade and PSD elements and include capacity building as a cross-cutting theme. Several other donors also said they would be active on trade. Fewer showed interest in Shahrani's administrative reform agenda, though the UK undertook quickly to deploy 2-4 experts to develop a "business plan" for reform of MOCI that could be the first step in this process. This effort could inform possible follow-up, including on Shahrani's goals of establishing Policy Analysis and Project Implementation units within MOCI. Donors reps also agreed to continue efforts to coordinate their activities.

19. (SBU) Donor reps met again with Minister Shahrani February 2 and presented their joint response to his request for technical assistance. Donors mainly described how existing or planned programs would support his priorities, but also how the UK-supported business plan could guide additional cooperation. Regarding donor coordination, Shahrani expressed preference for assigning one "lead donor" to manage all donor assistance provided to each of the

affected MOCI departments, e.g. Trade, PSD, etc. Donors explained that this would be difficult as several donors hope to contribute to each of these areas and because many of the areas are interconnected. The donors looked to Shahrani to lead all donor efforts in order to avoid duplication and maximize resources, and he agreed to take responsibility. He suggested monthly meetings at technical level, quarterly monitoring and progress meetings, and semi-annual meetings at mission-director level to iron out any issues. Donors also urged a streamlining of the many GIROA bodies involved in PSD. Shahrani reiterated his appeal for temporary salary support for Afghan mentees as part of all TA programs. He also said MOCI would agree to specific policy reform benchmarks under donor-funded TA programs.

COMMENT

¶10. (SBU) With good reason, donors are excited about the energetic and reformist approach the new Commerce Minister is taking. That said, experienced observers have advised against letting expectations get too high. Similar reform agendas have been launched by past Commerce Ministers with scant result. As one veteran Afghan hand noted, Shahrani starts not with a tabula rasa but a very unreformed ministry in MOCI. Donors too have a ways to go to achieve the degree of coordination of their advice and assistance that Shahrani seeks, especially on trade issues. Shahrani has made a promising, ambitious start. The USG should support his efforts, while recognizing that even the best intentions on his and his international partners' parts may not be able to fully achieve the MOCI's ambitious agenda in the short term.

WOOD